

## TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
LOCAL OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
<b>Cash Receipts</b>	
FIA-61 Untimely Disposition of Warrants	2
FIA-61 Log Reconciliation	3
<b>Cash Disbursements</b>	
Approval of Journal Vouchers	3
<b>Payroll and Timekeeping</b>	
Unsigned TimeSheets	4
Reconciliation of HR332A Turnaround Report	4
<b>Safe and Controlled Documents</b>	4
<b>Medical Transportation</b>	5
<b>State Emergency Relief</b>	5
<b>Employment Support Services</b>	5
<b>State Car Usage</b>	
Official Daily Travel Log Preparation	5
<b>CIS/ASSIST</b>	
CIS Status Codes	5-6
CIS Security Agreements	6
MA-010 Reconciliation – Openings and Reopenings	6

<b>IRS Information Security</b>	
Knowledge of IRS Security Procedures	7
<b>Procurement Card Review</b>	7
<b>Contract Process</b>	7
<b>Modified Accrual Basis Balance Sheet</b>	7
<b>General Ledger</b>	7

## **INTRODUCTION**

The Office of Internal Audit performed an audit of Washtenaw County FIA for the period October 1, 2000 through November 8, 2001. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Washtenaw County FIA had 171 full time equated positions (FTE's) at the time of our review. Washtenaw County FIA provided assistance to an average 8,291 recipients per month during FY 2000, with total assistance payments of \$11,640,771 during that year.

## **SCOPE**

Our audit was conducted in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Washtenaw County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Cash Receipts

Safe and Controlled Documents

State Emergency Relief (SER)

CIS/ASSIST

IRS Information Security

Procurement Card

General Ledger

Modified Accrual Balance Sheet

Cash Disbursements

Medical Transportation

Client Processing

Employment support services

Payroll and Timekeeping

Local office contracting process

State Car Usage

## **EXECUTIVE SUMMARY**

Based on our audit, we conclude that Washtenaw County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization, except for the controls over ensuring confidentiality of information received from the IRS. We found instances of noncompliance with FIA policies and procedures, and weaknesses in internal controls, which are detailed below.

## **LOCAL OFFICE RESPONSE**

The management of Washtenaw County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated December 10, 2001 that they are in general agreement with the report.

## **FINDINGS AND RECOMMENDATIONS**

### **Cash Receipts**

#### **Disposition of Warrants not Timely on FIA-61**

1. Washtenaw County FIA did not always dispose of returned warrants within 10 working days after notifying the worker, as required by Accounting Manual Item 462. Rather the county was holding the warrants and reminding the workers to determine disposition. There were 2 warrants on hand at the time of our review that dated back to September 17, 2001. Voiding returned state warrants after 10 business days encourages immediate disposition and provides improved accountability for the warrants.

WE RECOMMEND that Washtenaw County FIA dispose of returned state warrants within 10 business days.

### FIA-61 Log Reconciliation

2. Washtenaw County FIA did not perform a weekly reconciliation of checks/warrants on hand to the open items on the Record and Disposition of Checks/Warrants (FIA-61), as required by Accounting Manual Item 460. A weekly reconciliation is necessary for timely detection of any warrants/checks that are lost or stolen, and to ensure that all checks/warrants on hand are properly recorded on the FIA-61. We also noted that the posting of disposition information to the FIA-61 was not up-to-date. Keeping the posting up to date facilitates the reconciliation process.

WE RECOMMEND that Washtenaw County FIA perform a weekly reconciliation of checks/warrants on hand to the FIA-61, and keep posting of disposition information on the FIA-61 up-to-date.

### Cash Disbursements

#### Approval of Journal Vouchers

3. Washtenaw County FIA did not have supervisory approval signatures on three out of twenty-eight journal vouchers in September 2001. Accounting Manual Item 450 requires that the preparer's supervisor or other person designated by the local office director approve all journal vouchers. Requiring approval helps reduce the risk of unauthorized transactions being processed.

WE RECOMMEND that Washtenaw County FIA require all journal vouchers to be approved by the preparer's supervisor or other person designated by the director.

## **Payroll and Timekeeping**

### **Unsigned Timesheets**

4. At Washtenaw County FIA the Time and Attendance Reports (FIA-4299) that were submitted by employees were not always approved by the supervisors. One FIA-4299 was neither signed by the employee nor approved by the supervisor. One FIA-4299 was prepared by the supervisor but the employee did not sign on it. The Primary Internal Control Criteria for Local/District Office Operations recommends that employees and supervisors sign the FIA-4299 to document employee and supervisory verification of hours worked.

WE RECOMMEND that Washtenaw County FIA require employees and supervisors to sign all the Time and Attendance Reports (FIA-4299).

### **Reconciliation of HR-332A to FIA-4299**

5. Washtenaw County FIA did not reconcile all the Time and Attendance Reports (FIA-4299) that were submitted by employees to the turnaround HR-332A report. The Primary Internal Control Criteria for Local/District Office Operations recommends that someone other than the timekeeper reconcile the turnaround HR-332A report to attest to the accuracy of the payroll.

WE RECOMMEND that Washtenaw County FIA require the report HR-332A be reconciled to Time and Attendance Reports (FIA-4299) to determine its accuracy.

## **Safe and Controlled Documents**

No findings in this area

### **Medial Transportation**

No findings in this area

### **State Emergency Relief**

No findings in this area

### **Employment Support Services**

No findings in this area

### **State Car Usage**

#### **Official Daily Travel Log Preparation**

6. Washtenaw County FIA staff did not accurately prepare the Official Daily Travel Log (MTD-10) for three state cars for the month of September, 2001. These logs had 59 miles that were not accounted for in the logs, and did not show daily miles traveled, destination, reason for travel, and were not signed by the drivers. Administrative Handbook Manual Item 811 requires that all FIA personnel report daily travel on the MTD-10, when state vehicles are used. Accurately completing the MTD-10 will provide documentation that miles traveled were for business purposes.

WE RECOMMEND that Washtenaw County FIA require employees to accurately complete the Official Daily Travel Log (MTD-10).

### **CIS Input / Output**

#### **CIS Status Codes**

7. One fiscal supervisor and one clerical supervisor had CRS status, one fiscal clerk had FLM status, one services supervisor had SRV status, and six AP supervisors had

FIS status on the Client Information System (CIS) at Washtenaw County FIA. These status codes would allow these individuals to make changes to client cases without an independent review of the transactions.

WE RECOMMEND that Washtenaw County FIA either change all of these supervisors inquiry only (INQ) status on CIS, or have an independent employee review all transactions processed by these supervisors on CIS.

#### CIS Security Agreements

8. Washtenaw County FIA had not have accurate, up-to-date CIS Security Agreements (FIA-3974A) on file for 40 of the 177 employees who access the Client Information System (CIS), as required by L-Letter 97-063. An accurately completed Security Agreement is necessary to document that the employee understands the responsibilities associated with the CIS access.

WE RECOMMEND that Washtenaw County FIA ensure that accurate, up-to-date security agreements are on file for all employees who access CIS.

#### MA-010 Reconciliation - Openings and Reopenings

9. Washtenaw County FIA did not reconcile a sample of new case openings and reopenings listed on the Transaction Control Report (MA-010) to the casefile documentation, as recommended by the Primary Internal Control Criteria for FIA Local/District Office Operations. A sample reconciliation of openings and reopenings provides assurance that cases were opened by their assigned workers.



WE RECOMMEND that Washtenaw County FIA reconcile a sample of case openings and reopenings on the MA-010 Report to the appropriate documentation in the case file.

### **IRS Security**

#### **Knowledge of IRS Security Procedures**

10. Mail room and Assistance Payments (AP) staff at Washtenaw County FIA were unaware of the proper procedures to follow for confidential information received from the IRS. Family Independence Agency L-Letter 94-1 states that local offices should ensure that their staff understands all aspects of the confidentiality laws. Staff understanding of the laws is necessary to ensure that confidentiality is maintained for all information received from the IRS.

WE RECOMMEND that Washtenaw County FIA familiarize staff with all aspects of the confidentiality laws for information received from the IRS.

### **Procurement Card Review**

No findings in this area

### **Contract Process**

No findings in this area.

### **Modified Accrual Basis Balance Sheet**

No findings in this area

### **Geneal Ledger**

No findings in this area